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House of Representatives

The House met at 12:30 p.m. and was called to order by the Speaker pro tempore (Mr. PETRI).

DESIGNATION OF SPEAKER PRO TEMPORE

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, DC,
May 23, 2005.

I hereby appoint the Honorable THOMAS E. PETRI to act as Speaker pro tempore on this day.

J. DENNIS HASTERT,
Speaker of the House of Representatives.

MORNING HOUR DEBATES

The SPEAKER pro tempore. Pursuant to the order of the House of January 4, 2005, the Chair will now recognize Members from lists submitted by the majority and minority leaders for morning hour debates. The Chair will alternate recognition between the parties, with each party limited to not to exceed 30 minutes, and each Member, except the majority leader, the minority leader, or the minority whip, limited to not to exceed 5 minutes.

The Chair recognizes the gentleman from Florida (Mr. STEARNS) for 5 minutes.

CHINA'S UNDERVALUED CURRENCY

Mr. STEARNS. Mr. Speaker, since 1994 China has pegged its currency, the yuan, to the United States dollar. Many economists contend that for the first several years of this peg, the fixed value was likely close to market value, but in the past few years, economic conditions have changed, such that the yuan would likely have appreciated, like virtually every other currency, if its exchange rates were determined by simple market forces. This policy constitutes a form of currency manipulation and is intended to give China an unfair trade advantage. Also, it is contributing to the loss of United States manufacturing jobs.

China's currency is significantly undervalued vis-a-vis the United States dollar. Some experts contend that it is undervalued by as much as 40 percent, making Chinese exports to the United States cheaper and U.S. exports to China more expensive than they would be if market forces determined the exchange rates.

Furthermore, the undervalued currency has contributed to the large U.S. trade deficit with China. It has hurt United States production and employment in several U.S. manufacturing sectors, such as textiles and apparel and furniture, that are forced to compete domestically and internationally against artificially low-cost goods from China.

If the yuan is undervalued against the dollar, imported Chinese goods are cheaper than they would be if the yuan were market-driven. This lowers prices for United States consumers and diminishes inflationary pressures, but in turn, lower priced goods from China hurt U.S. industries that compete with those products, diminishing their production and eventually their employment. In addition, an undervalued yuan makes U.S. exports to China more expensive, thus diminishing the level of U.S. exports to China and job opportunities for U.S. workers in those particular sectors.

Pegging the yuan to the dollar has large implications for the United States-China trade. When a fixed exchange rate causes the yuan to be less expensive than it would be if it were floating, it causes Chinese exports to the United States to be relatively inexpensive and U.S. exports to China to be relatively expensive. As a result, U.S. exports and the production of U.S. goods and services that compete with Chinese imports fall in the short run. Many of the affected firms are in the manufacturing sector. This causes the U.S. trade deficit to soar, to rise, and reduces aggregate demand in the short run.

Mr. Speaker, in 2004, China became the United States' second largest supplier of imports. A large share of China's exports to the United States are labor-intensive consumer goods such as toys and games, textiles and apparel, shoes, and consumer electronics. Because the manufacturing of these products have, over the past several years, shifted overseas, many of these exports do not compete directly with the United States domestic producers.

However, there are a number of small- and medium-sized firms, including makers of machine tools, hardware, plastics, furniture, and tool and die that are concerned over the growing competitive challenge posed by China. An undervalued Chinese currency contributes to a reduction in the output of these industries.

In addition, the low value of the yuan is forcing other East Asian economies to keep the value of their currencies low vis-a-vis the U.S. dollar in order to compete with Chinese products, to the detriment of U.S. exporters and U.S. domestic industries competing against foreign imports.

Furthermore, while China is still a developing country, it has been able to accumulate a massive foreign exchange reserve, approximately $660 billion at the end of March, and thus, it has the resources to maintain the stability of its currency if it were fully convertible.

Appreciating the yuan would greatly benefit China by lowering the cost of imports for Chinese consumers and producers who have used imported parts and machinery.

☐ This symbol represents the time of day during the House proceedings, e.g., ☐ 1407 is 2:07 p.m.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.